

UDC 37.014.543:341

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EUROPEAN STRATEGIES OF HIGHER EDUCATION FUNDING

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ЄВРОПЕЙСЬКІ СТРАТЕГІЇ ФІНАНСУВАННЯ ВИЩОЇ ОСВІТИ

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ЕВРОПЕЙСКИЕ СТРАТЕГИИ ФИНАНСИРОВАНИЯ ВЫСШЕГО ОБРАЗОВАНИЯ

The article highlights the European funding strategies of higher education. The financial autonomy of higher educational establishments as the most efficient academic instruments for the implementation of their purposes has been considered. The article proves that the implementation of strategic growth plans by the universities may influence on the amount of public funding. Public funding of higher education that is performed in two ways: main funding and competitive funding as the dominative mechanism of higher education funding has been studied.

Key words: higher education; financial strategy; public funding; financial autonomy; funding formulas.

У статті окреслені європейські стратегії фінансування вищої освіти. Визначено, що фінансова автономія вищих навчальних закладів є найефективнішим академічним інструментом впровадження їх цілей. Доведено, що реалізація стратегічних планів розвитку університетів може впливати на розмір державного фінансування. Вивчено, що державне фінансування вищої освіти – це провідний механізм фінансування, що здійснюється двома шляхами: основне фінансування та фінансування на умовах змагальності.

Ключові слова: вища освіта; стратегія фінансування; державне фінансування; фінансова автономія; формули фінансування.

В статье обозначены европейские стратегии финансирования высшего образования. Определено, что финансовая автономия высших учебных заведений является самым эффективным академическим инструментом внедрения их целей. Доказано, что реализация стратегических планов развития университетов может влиять на размер государственного финансирования. Изучено, что государственное финансирование высшего образования – это ведущий механизм финансирования, который осуществляется двумя путями: основное финансирование и финансирование на условиях состязательности.

Ключевые слова: высшее образование; стратегия финансирования; государственное финансирование; финансовая автономия; формулы финансирования.

Problem statement. The issue of funding is a key one in the development of educational strategies. Nowadays governments of EU countries provide higher education institutions with a greater autonomy in budget execution. As educational policy is closely related to the economic national policy looking for the appropriate education policy model is aimed at the formation of the strategy of countries' development. Ukrainian higher education exists in the conditions of a lack of sufficient funding. The experience of European countries in the implementing of the efficiency funding models could be important base for the improvement of the national education policy of Ukraine.

Last research and publications analysis. The scientific works of Ukrainian scholars are devoted to the theoretical and practical analysis of approaches to higher education funding in Ukraine, in particular by V. Andrushchenko, V. Bazylevych, T. Bogolib, B. Grishnova, E. Libanova, V. Lugovy, K. Korsak and others. Foreign analytical studies conducted by the European Observatory for Public Finances and the Eurydice Network, as well as by J. Salmi and S. Vincent-Lankrina, contribute to the analysis of international experience in higher education funding in the EU.

Allocation of previously unsettled parts of the main issue. Nowadays the majority of European national policies tend to encourage higher education institutions to increase the private sources of funding. However, direct public funding continues to be a considerable part of the higher education budget. The need for longer-term planning and development of strategies for higher education is widely recognized across Europe. The countries investigated in this paper implement specific policy documents that outline national strategic priorities for ensuring the financial sustainability of the higher education sphere.

The aim of the article. The main purpose of this work is to highlight the issue of public funding of HEIs based on their performance; European public authorities' grants for specific higher educational projects; accountability for the public funding.

The main part of the article. Higher education plays the key role in the modernisation of economic because of the potential to provide the human progress by the powerful complex country's development. Development of higher education as the investment in the increasing of the quality of human capital is one of the conditions of economic growth. The state has the decisive role in this process. The possibilities of public impact on the educational sphere are wider and more efficient comparing with the others institutions. Such an impact is in the usage of the complex of the mechanisms. One of them is the financial one.

European universities were granted full autonomy in the management of their financial resources. Nowadays the greater institutional autonomy has been resulted in a considerable increase in HEIs' responsibility for institutional policies and closer involvement by students and staff in the institutional governance. Although the majority of European national policies encourage higher education institutions (HEIs) to raise the private sources of funding, direct public funding continues to represent a major part of the higher education budget [1].

The important dimension of government intervention is the creation of a regulatory environment that encourages innovations at the level of individual institutions as well as private-sector initiatives to expand access to tertiary education. Key dimensions of regulation are the rules for establishment of new institutions (private and virtual), quality assurance mechanisms, financial controls on public institutions, and intellectual property rights legislation. In a lifelong learning perspective, student mobility can be encouraged by open systems based on the recognition of relevant prior experience, degree equivalencies, credit transfer, tuition-exchange schemes, access to national scholarships and student loans, as well as a comprehensive qualifications framework. The third modality of state intervention involves the funding mechanisms and financial incentives applied to steer tertiary education institutions toward quality, efficiency, and equity goals. These include allocation formulas linking resources to measures of institutional performance, encouragement of resource mobilization by institutions, competitive funds for investments in quality improvement, and student financial aid [2, p. 2-3].

Government establish funding mechanisms aimed at linking results allocated of the future public funding as it is highly interested in optimising the balance between the financial resources they invest in higher education and the outcomes of the sphere. This is usually possible through the budget negotiations between HEIs and the relevant Ministry, as well as by using the funding formula that include performance indicators.

Policy measures in the area of partnership between HEIs and society are aimed at the promotion of the scientific results. However, the link between research and national economic (including specific regional needs) is a priority. The European authorities promote co-financing and the creation of the partnerships "HEIs- research institutes-regional authorities-business". Moreover, in some countries (Estonia, France, Italy, Portugal, Finland and Sweden) they provide financial and other mechanisms to support such cooperation [3, p. 10].

The block grant is divided between the categories of expenditure of the institution. In Belgium, Ireland, France, Lithuania, Hungary, Poland and Slovenia, institutions receive block grants and they must spend them in compliance with the budget headings submitted to the funding body. In France, HEIs must submit the budget proposal to the authority. HEIs in Poland have to submit their proposed financial activities to the Ministry of Finance but there is no institutionalised authority for their approval. In Hungary, institutions have to send an annual draft budget proposal to the supervisor. The supervisor may initiate amendments, if he considers that the proposal does not allow the institution to achieve its basic goals. The block grants are intended to cover learning process and operational expenditure. In rare cases, staff salaries may be covered. In half of the countries, block grants may fund research expenditure.

The block grants do not constitute the only source of public funding. In all countries, HEIs receive public funding for specific purposes, such as national programmes, social purposes, particular research, etc. [4, p. 48].

Many countries use performance indicators which focus on student success rates. The most common performance indicators for teaching activities focus on student success rates that are measured through the number of graduates. Indicators in the Czech Republic, Italy and Austria have special importance to compliance with the standard period of time needed to complete courses. Some countries use other indicators related to student success rates (in addition to the number of graduates for some countries). In Denmark, Austria and Liechtenstein, the number of students who pass their exams is considered. The number of credits earned by students is considered in Sweden and Norway. In the United Kingdom, the number of students registered is not considered in the funding formula; only those students who complete their year of study. The number is weighted according to field and type of study. For institutional performance, Italy and the Netherlands consider the failure rate at the end of the first year and the number of students who abandon their studies, respectively [4].

Almost everywhere, funding formulas rely on input criteria, which refer to the institutional activity. Funding formulas promote the increasing of the transparency of public funding. It helps to avoid potential political pressures. Institutional activities may be estimated according to the resources (number of staff and students, staff salaries, campuses and buildings, etc.) available to HEIs. In many cases, the funding formulas also include performance criteria, which are related to the outputs achieved by an institution over a previous period. In the funding formulas, the input-related criteria depend on countries. The most commonly used criterion is the number of students registered during the previous or current year. Characteristics other than those relating to the number of students, which may sometimes guarantee certain stability in the allocation model, are considered much less frequently. They include, for example, variables associated with the cost of college (Finland), the area of buildings (France), number of employees (Greece, France, Poland - public institutions - and Portugal) and criteria related to educational provision (France and Slovakia), etc. [5, p. 52].

The mechanisms of public funding for higher education in Europe represent levers through which central governments pursue their strategic objectives in the sector. The usage of funding formula is very widespread. Various aspects of these models are discussed. Funding formula based on the number of students may act as a drive to rationalize the usage of resources. According to Salmi and Hauptman, “when the costs per student are based on the average costs at the national level or on the normative costs established by considering various parameters that are used to calculate the cost of research, it should be in an ideal situation, rather than what they really are” [6, p. 60].

The funding formula based on the number of students enrolled makes institutions vulnerable to fluctuations in student enrolment, which inevitably has a direct impact on their revenue. Some basic institutional costs cannot be reduced from one year to the next. In order to deal with this situation, institutions may adapt the types of programme offered to match students' preferences in order to attract more students. Although this strategy may guarantee that the courses correspond to the short-term needs of society in terms of education, it may also lead to a limited diversity of courses and the disappearance of certain important but less popular academic disciplines. In light of this, funding formulas could include incentives to preserve vulnerable academic disciplines [7].

According to the signed below there are the recommendations to improve higher education public funding:

- Public authorities, as the universities' first and main funder, have a special responsibility in ensuring that their higher education system is financially sustainable over the long term. This includes providing a stable regulatory and financial framework for universities to fulfil their missions. It also means taking into consideration the possible long-term impact on universities of changes brought to funding modalities.

- Diversifying income sources is a way for universities to mitigate risks but this cannot replace nor compensate for declining public funding.

- Targeted funding mechanisms should not determine significant parts of the public funding received by universities; it should be preferably used for additional funding made available to institutions.

- Simplification should be a guiding principle for public funding mechanisms. The overall objective should be to strike the right balance between accountability and institutional autonomy and thus keep reporting duties to the necessary minimum in order not to create additional layers of bureaucracy taking up resources from universities.

- The inclusion of a “performance” dimension in funding formulae should be done and designed in full consultation with the sector to ensure the fitness for purpose of the selected criteria; the development of performance agreements with specific targets should be a joint process between universities and public authorities. This also applies to the selection of criteria used to measure the progress towards such targets, in order to ensure coherence with the university’s strategy and institutional profile.

- Public authorities are responsible for designing the “public funding mix” suitable for their system; however, a guiding principle should be simplification, in order to avoid overly burdensome and costly processes.

- The extent to which it is in the universities’ capacity to act upon the selected criteria is an important matter to consider, in order to create the appropriate incentives. Where it appears that the universities’ influence is limited, a performance agreement without direct impact on funding might be more appropriate.

- Monitoring processes should be set up in order to fully assess the impact of the funding mechanisms on institutions, including possible unintended consequences and provide the possibility for adaptation.

- Mergers are only one of the concentration and collaboration phenomena occurring in higher education. There is a whole range of concentration measures currently being experimented in Europe, including university consortia and strategic partnerships; both mergers and concentration measures can be highly complex processes for which institutions need to receive adequate support.

- Public authorities tend to engineer such processes with a view to restructuring the higher education landscape.

- Cost transparency helps to create awareness around the use of resources in the institution and helps to generate data for benchmarking in the sector. Public authorities have many steering levers at their disposal to shape their higher education systems. It should, however, be kept in mind that measures such as performance-based funding, mergers and concentration measures as well as excellence schemes can also have unintended consequences at system as well as institutional level. In the coming months, EUA will release specific reports dedicated to each of the measures considered in the study and further explore their impact on higher education institutions.

- Large-scale, system-shaping initiatives focusing on excellence remain the exception, although when resources are available, public authorities quite commonly set up funding schemes fostering the emergence of specific “excellence” clusters.

- When designing these schemes attention should be paid to the overall funding flows and the potential restructuring effects on the system.

- The capacity of universities to act strategically to increase cost efficiency depends at least partly on their degree of institutional autonomy and on their organisational structure.

- Policies aiming at enhancing competition in the sector can undermine collaboration processes seeking to achieve efficiencies.

- Economies of scale created by sector-level approaches should be balanced against the need for keeping a certain amount of flexibility in the system [8, p. 17-18].

For the practical usage of such recommendations not only state demand but also real needs of customers of educational services should be taken into consideration.

Conclusions and recommendations. National investment in higher education is an important function of EU governments. Public funding of higher education is the dominative mechanism of financing of higher education. Public funding of higher education is performed in two ways: main funding and competitive funding. At the same time EU governments create conditions for motivation higher educational establishments to fundraising and collaboration with business structures. Financial reporting and audit of higher educational establishments includes also reporting for the usage of private funding costs. Motivating higher educational establishments to the enhancement of private funding and to the partnership building with business companies at the same time governments of EU countries express concerns on the potential negative consequences. That is why the priority is the defence of academic freedoms and prevention of business's domination in the determination of research directions.

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